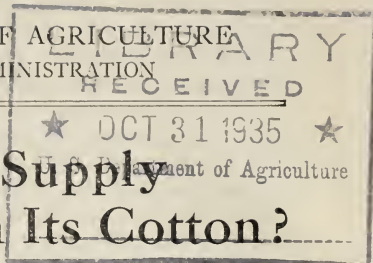


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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION



What Countries Shall Supply the World With Its Cotton?

Highlights.—Over a long period of time there has been an upward trend in foreign cotton production which has been somewhat greater than the upward trend in cotton production in the United States. During the ten years from 1891 to 1900 foreign cotton production (excluding China) was about 30 percent of world production, as compared with about 40 percent during the last ten years.

In the period 1921-25, when the boll-weevil damage in this country threw doubt on its ability to continue supplying the world demand, foreign cotton acreage, outside of that in Russia, rose from 28,200,000 acres to about 40,800,000 acres—an increase of 45 percent.

Some of the factors which caused the United States to attempt production control in 1933 remain and likely will remain from now on. World supply of all cotton has been reduced from a prospective total of about 47,000,000 bales before the emergency adjustment program in 1933 to 39,282,000 bales for the 1934-35 season. At the beginning of the 1934-35 season about 66 percent of the world carry-over was American cotton, a quantity that was far above normal.

The production of cotton abroad rose to 13,986,000 bales in the 1934-35 season, a new peak. However, this was only 564,000 bales more than the foreign production of 1933-34, which was itself a new record production and which resulted from plantings made before the program of production adjustment in the United States had taken effect. This alone is enough to show that many reports fail to present the true effect that the domestic control program has had on foreign production.

It appears that in between the two extremes—drastic restriction designed largely to reduce the carry-over and increase unit prices, on the one hand, and unrestricted production, on the other hand—lies a point where, with moderate restriction of production, American cotton growers over a period of years will obtain a higher gross income, a reasonable balance between production and consumption of American cotton will be maintained, and foreign production of cotton will not be unduly helped.

I. The World Situation in General

COTTON production in this country has been developed to meet the demands of the world market. Normally more than one-half of the cotton produced in the United States is used in foreign countries, where it comes in competition with foreign growths of cotton which are produced in some 60 or more countries. Loss of this foreign market would force American cotton growers to cut their acreage to less than half of its normal size.

American Cotton Sold at Bargain Prices.—The often-repeated charge that the Agricultural Adjustment Administration cotton program has resulted in the loss of export markets really consists of two separate arguments. One is that encouraged by the program of cot-

ton-acreage adjustment, foreign cotton-producing countries have increased their cotton acreage. The other is that foreign cotton-consuming countries, unwilling to pay the price for American cotton, have turned to competitors for supplies.

It must be borne in mind, however, that the reduction in exports has far exceeded the reduction in the use of American cotton abroad. In the 3 years, 1930-31 to 1932-33, America exported at low prices approximately $2\frac{1}{3}$ million bales in excess of foreign consumption. It is estimated that foreign countries during the 1934-35 season consumed 1,300,000 bales more American cotton than they bought.

Foreign Production Has Shown an Increase.—It is not enough to learn that cotton acreage and production have increased right along in foreign countries for many decades. It is equally important to study the causes which have brought about these conditions and to figure out how much further each of these countries can go in cotton production and how rapidly further expansion, if any, is likely to take place.

Roughly, America's foreign competitors may be classed in three general groups:

First, countries which for many years have been engaged in the commercial production of cotton and have been exporting substantial proportions of their production. This group would include India, Egypt, Peru, Argentina, and Brazil, and possibly others. These five specified countries grow from 50 to 55 percent of the cotton produced in foreign countries.

Second, countries, such as Russia, China, and Mexico, which have been engaged in the production of cotton for many years, but in which most of the cotton produced is primarily for domestic use. These three countries account for about 35 percent of the foreign cotton production.

Finally, the newer producing areas where the production has recently been expanded for reasons of national policy or as a result of the development of new agricultural areas. In this group would be included such areas as Manchuria, Chosen (formerly Korea), and parts of Africa, and South America. These would account for about 10 to 15 percent of the foreign cotton production.

India, Egypt, Brazil After World Trade.—The first group doubtless is of greatest importance at this time in relation to the question of competition between American cotton and foreign growths of cotton. Of these countries India is in the lead, producing from $3\frac{1}{2}$ to 5 million bales annually.

There has been a long-time upward trend in cotton production in Egypt. The greatest acreage planted to cotton in Egypt thus far was 2,162,000 acres in 1930-31. The greatest production thus far occurred in 1933-34 when 1,777,000 bales were grown.

In Brazil cotton production reached a peak of almost 800,000 bales in 1924, and then fell to less than 450,000 bales in both 1928 and 1932. In 1933-34 cotton production in Brazil increased to almost a million bales, and in 1934-35 production, according to latest reports, again increased to 1,361,000 bales. Preliminary estimates of cotton production in Brazil indicate a further increase in acreage in that country for the 1935-36 season.

During recent years production of cotton in Peru has ranged from about 225,000 to about 300,000 bales annually. It is generally believed that Peruvian production will continue at about this level.

In Argentina cotton production is continuing to increase, and it is generally conceded that the prospects are for further expansion.

Chinese and Russian Cotton Used at Home.—The second group of countries, with China and Russia in the lead, does not at the present time appear to be highly important from the standpoint of foreign competition. It would be going too far to say that no competition exists between American cotton and the cotton produced in these countries. The production of cotton in these countries is not influenced by changes in the price of American cotton, and the cotton produced in these countries is consumed domestically and constitutes the bulk of the domestic consumption.

Cotton: Estimates of production of specified countries 1920-21 to 1934-35 compared with the average of the base period 1909-14

[In thousands of bales, i. e., 000 omitted—Average net weight of bale, 478 lbs.]

	United States	India	China ¹	Russia	Egypt	Brazil	Peru	Anglo-Egyptian Sudan	Estimated foreign total	Estimated world, including China
1909-14.....	13,033	3,585	-----	-----	1,453	387	106	2 13	27,067	-----
1920-21.....	13,429	3,013	1,883	58	1,251	476	177	26	7,578	21,007
1921-22.....	7,945	3,752	1,514	43	902	504	186	20	7,489	15,434
1922-23.....	9,755	4,245	2,318	55	1,391	553	199	24	9,607	19,262
1923-24.....	10,140	4,320	1,993	197	1,353	576	212	38	9,555	19,695
1924-25.....	13,630	5,095	2,178	453	1,507	793	212	41	11,300	24,930
1925-26.....	16,105	5,201	2,102	782	1,650	602	210	106	11,826	27,931
1926-27.....	17,973	4,205	1,742	830	1,586	512	216	130	10,439	28,417
1927-28.....	12,956	4,990	1,875	1,096	1,261	509	246	111	11,075	24,031
1928-29.....	14,477	4,838	2,466	1,174	1,672	446	225	142	12,286	26,763
1929-30.....	14,825	4,387	2,116	1,279	1,768	583	303	139	11,846	26,671
1930-31.....	13,932	4,373	2,457	1,589	1,715	471	271	106	12,189	26,121
1931-32.....	17,095	3,353	1,785	1,843	1,323	575	234	206	10,499	27,594
1932-33.....	13,001	3,898	2,261	1,816	1,028	448	242	121	10,937	23,938
1933-34.....	13,047	4,241	2,726	1,887	1,777	969	278	135	13,522	26,569
1934-35 ²	9,636	4,023	3,125	1,937	1,566	1,361	276	227	13,986	23,622

Bureau of Agricultural Economics, Division of Statistical and Historical Research. From Official Sources; Reports of the International Institute of Agriculture; and Estimates of the B. A. E., except as noted.

¹ Estimates of the Chinese Mill Owners' Association and the Chinese Statistical Association.

² From an unofficial source.

³ Excluding China.

⁴ Preliminary.

II. World Trends in Production

Over a long period of time there has been an upward trend in foreign cotton production which has been somewhat greater than the upward trend in cotton production in the United States. During the ten years from 1891 to 1900, foreign cotton production (excluding China) was about 30 percent of world production, as compared with about 40 percent during the last ten years.

Foreign cotton production fell far below the long-time upward trend line during the World War period, but increased rapidly from 1920 to 1925. This rapid increase usually is attributed to high cotton prices resulting from the short crops of 1921, 1922, and 1923 in this country.

Size of American Crop Influences Foreign Production.—Partly as the result of reduced acreages and partly as the result of low yields, cotton production in foreign countries fell to a low level in 1931-32 and 1932-33, and then increased sharply in 1933-34. In 1933 foreign cotton acreage increased 9 percent, but most of the increase in foreign plantings did not follow, but came before, the AAA cotton program that was started in that same year.

The few reports that have been received thus far indicate a possible further increase in foreign cotton production in 1935-36. However, foreign cotton has moved into consumption very rapidly during the 1934-35 season; and as a result of this, there was a reduction in the carry-over of foreign cotton at the end of the season. This decrease in the carry-over should more than offset the probable increase in foreign production in 1935.

Bounties and Subsidies Used to Encourage Production.—The degree of Government control and aid varies widely among foreign cotton-producing countries. A rather rigid control of production has been exercised in Egypt a number of times, although since 1932 restrictions on cotton production have been relaxed to such an extent that producers in most areas have planted all they have cared to.

In Russia, of course, cotton production is under the direct and almost complete control of the Government. Several countries now have tariffs on cotton which are of some help in increasing prices. In a few countries, cotton production is encouraged by bounties, subsidies, and similar means.

Wide Variation in Quality of Cotton.—The quality of foreign cotton ranges from the short rough cotton produced in some parts of China and India to the extra long staple silky-fiber, Sea-island cotton produced in the West Indies. The Bureau of Agricultural Economics estimates that for the five-year period ended with 1931-32, of the cotton less than $\frac{7}{8}$ inch, 74 percent was produced in foreign countries. Of the cotton from $\frac{7}{8}$ to $1\frac{3}{4}$ inches, 25 percent was produced in foreign countries, and of the cotton $1\frac{1}{8}$ inches, and longer, 75 percent was produced in foreign countries.

III. Price and Demand Pressure on Production

The notion that the American cotton program has caused customers abroad to turn elsewhere for their cotton arises primarily from the decrease in American cotton exports since last August 1. Total exports of American cotton during the period from August 1, 1934, to July 31, 1935, were 4,795,000 bales, as compared with 7,534,000 bales in a like period one year earlier, and 8,419,000 bales two years earlier.

Foreign Producers Reach For Outlets.—One might take the view that cotton producers in foreign countries are so highly responsive to changes in the price, especially changes in the price of cotton relative to the prices of substitute crops, that any reduction in production in this country or any artificial help to world prices of cotton merely aids production in foreign countries.

Again it is held that producers in foreign countries get the major part of even the temporary benefits of production restriction and

price stimulation; and that production restriction and price fixing if long continued can lead only to permanent loss of markets and loss of America's leading influence on the level of world cotton prices.

World Reaction to Control of Cotton.—A third view is that the changes in foreign cotton production are mostly the result of internal developments and politics and have little connection with production or prices of American cotton. According to this view, the world must have American cotton and can be forced to pay a "reasonable" price for it; that any loss of markets is only temporary and that the markets can be regained quickly; but that if the foreign market can be held only by means of sacrifice prices, the sooner the foreign cotton market is forgotten and attention turned to other work, the better off America will be.

A fourth view is that as a result of the policies of other nations throughout the world and certain developments in world affairs that cannot be changed, American cotton is doomed to lose a major part of its foreign outlet, and that a restriction program provides a "parachute" for adjusting to the situation which exists.

IV. Expansion—Past Increases, Present Conditions, Future Possibilities

It frequently is charged that the cotton adjustment program has helped production abroad through the increase in price from American reductions and from the maintenance of an artificial difference with the price of other staples.

What Has Been Done.—In the period 1921–25, when boll-weevil damage in this country threw doubt on its ability to continue supplying the world demand, foreign cotton acreage, outside of that in Russia, rose from 28,200,000 acres to about 40,800,000 acres, an increase of 45 percent. A part of that increase would have occurred, even with normal crops in the United States, since the depression and low prices of 1920 and 1921 resulted in an acreage in foreign countries in 1921 somewhat smaller than in the years immediately preceding.

The production of cotton abroad rose to 13,986,000 bales in the 1934–35 season, a new peak. However, this was only 564,000 bales more than the foreign production of 1933–34, which was itself a new record production, and which resulted from plantings made before the program of production adjustment in the United States had taken effect.

Combining the four countries—India, Egypt, Peru, and Brazil—it is found that the greatest cotton acreage planted in these countries was 32,000,000 acres in 1925–26. Acreage in these countries decreased generally from 1925–26 to 1932–33, when about 25,700,000 acres were planted. This represented a decrease of 20 percent from the 1925–26 acreage. The 1933–34 cotton acreage in these countries was about 28,500,000 acres, an increase of about 11 percent from 1932–33, but a total which was still 11 percent below the record acreage of 1925–26.

Brazilian Expansion at High Point.—In Brazil, expansion, resulting from the low price of coffee, the main crop competing with

cotton, had already gained much headway before the American program was launched. The price of cotton was higher in Brazil in 1932-33 than it had been in any year since 1924-25. This high price resulted in part from a cheaper currency and in part from the small crop of that year, which was hardly enough for domestic requirements, and caused the tariff on raw cotton imports into Brazil of about 17 cents per pound to become effective. In Brazil in 1932-33 the price of cotton was 46 percent higher than it had been in that country in 1929-30, whereas in the United States cotton prices were 55 percent lower than they had been in 1929-30.

Britain Seeks Cotton Within Empire.—There was a general upward trend in cotton production in India until 1925-26. From 1925-26 to 1932-33, acreage and production of cotton in India tended downward. There was some increase in cotton acreage in India in 1933-34 and a slight decrease in 1934-35.

Both acreage and production decreased in Egypt in 1934-35, and the first preliminary estimate of acreage for the 1935-36 season indicates a further slight decrease. It is reported that any substantial increase in cotton acreage in Egypt would require either the importation of large amounts of foodstuffs, or the reclamation of additional areas which would require much time and money.

Russia and China Use Own Cotton.—Production of cotton increased rapidly in Russia from 1922 to 1931. From 1931 to 1934 production was rather steady at a level slightly below 2,000,000 bales. Reports indicate that the 1935-36 cotton acreage in Russia will be about the same as last year, but that the crop had a good start this year and production may increase somewhat. However, as far back as 1915 Russia produced 1,500,000 bales, and most of the recent increase in that country is merely a return to previous production.

Reported production of cotton in China was higher in 1933-34 and 1934-35 than it had been for a number of years. The 1935 cotton crop is now expected to be somewhat smaller than that of 1934.

An attempt also is reported as being under way to increase the Manchurian cotton area from its present 200,000 acres to 740,000 acres by 1940.

V. Conclusions: Should America Lead the Way?

Some of the factors which caused the United States to attempt production control in 1933 remain and likely will remain for several years. World supply of all cotton has been reduced from a potential total of approximately 46,500,000 bales before the emergency adjustment program of 1933 to 39,282,000 bales for the 1934-35 season. At the beginning of the 1934-35 season about 66 percent of the world carry-over was American cotton, a quantity that was far in excess of normal.

Present Prices Alone Do Not Encourage Expansion.—With cotton prices at present levels, further expansion of foreign cotton acreage hardly could result from efforts of this Government to maintain some stability in the price and production of American cotton. Eventually, however, if the policy to bar imports is continued, it is obvious that foreign consumers will look for their cotton to other

countries, namely, those with which they have trading opportunities. This ultimately would result in foreign expansion of cotton production at the expense of the United States.

There is considerable evidence that the acreage planted to cotton in a number of the foreign countries is influenced by production changes in this country and by changes in the world price of American cotton, and that any action which increases the world price of American cotton does have a tendency to help foreign cotton production, which, in turn, tends to defeat the purposes of an adjustment program.

America Should Adjust Production to Long-Time Demand.—Specifically, the problem is to find out, as nearly as possible, the quantity of cotton that will give the best net return—not for one year or for two, but for a long time. Opinions vary as to the price that would strongly stimulate foreign expansion.

Up to the present, in the view of the Agricultural Adjustment Administration, the American cotton adjustment program stands justified by its results. The prosperity of the American growers has been enhanced by the adjustment programs, which have helped to correct an unbalanced supply position. It does not follow, however, that still more prosperity could be gained by creating an artificial shortage.

Oversupply, Easy to Produce, Would Wreck World Prices.—Unrestricted cotton production in the United States probably would mean an acreage of 45 million acres or more and annual production of 15 million bales or more. There have been only 3 years in which the world has consumed more than 15 million bales of American cotton.

It is not necessary to go into detail about either the voluntary cotton control programs for 1933, 1934, or 1935, or the Bankhead Act. A primary objective was the paring down of the carry-over of American cotton. The salient facts about the programs thus far can be told by figures. Here are some of the most striking:

1. World carry-over of American cotton:

Aug. 1, 1932-----	bales--	12, 960, 000
Aug. 1, 1933-----	do----	11, 588, 000
Aug. 1, 1934-----	do----	10, 634, 000
Aug. 1, 1935-----	do----	9, 009, 000

2. Average price received by producers per pound of lint:

In 1932-33 crop year-----	cents--	6. 5
In 1933-34 crop year-----	do----	9. 7
In 1934-35 crop year-----	do----	12. 6

3. Number of acres taken out of cotton production and made available for producing food and feed crops and for soil building:

1933-34-----	10, 497, 000
1934-35-----	14, 548, 000
1935-36-----	14, 000, 000

4. Total farm value of crops, plus benefits and cotton-option profits since these were distributed:

1932-33 crop-----	\$483, 912, 000
1933-34 crop-----	893, 675, 000
1934-35 crop-----	882, 298, 000

Long-Time View Needed.—Anyone who knows anything about cotton knows that a long-time view of the situation is needed. A

policy definite and fixed and based upon equality with industry is wanted. The program would be an empty mockery if the South were helped for only a year or so and then it was found that there were no means to go on. Yet the South could not long endure the effect of cotton crops which returned as little as they brought in 1931 and 1932.

Heavy Exports at Starvation Prices Mean Ruin.—The years 1931 and 1932 were black years in the South's history, yet it is important to note that they were years of unusually heavy exports. America sent 9,193,000 bales abroad in 1931, and 8,895,000 bales in 1932. With few exceptions, supporting data show that the years of the largest cotton exports in the past have always meant fewer dollars to the men who actually grew the cotton.

It appears that in between the two extremes—drastic restrictions designed largely to reduce the carry-over and increase unit prices on the one hand and unrestricted production on the other hand—lies a point where, with moderate restriction of production, American cotton growers over a period of years will obtain a higher gross income, a reasonable balance between production and consumption of American cotton will be maintained, and foreign production of cotton will not be unduly helped. If in conjunction with such a program our cotton growers can continue to obtain benefit payments with respect to that portion of their crop domestically consumed, which payments would compensate for the tariff benefits of other producing groups in this country, the economic status of cotton growers in this country will be substantially improved.

SUGGESTED REFERENCES

The following publications may be secured from the sources below as long as supplies are available:

- "The World Cotton Situation", Bureau of Agricultural Economics, United States Department of Agriculture, Washington, D. C. (Free.)
- "Cotton Production in the Anglo-Egyptian Sudan", F. S.-62; Bureau of Agricultural Economics, United States Department of Agriculture, Washington, D. C. (Free.)
- "Cotton Production in Southern Brazil", F. S.-63; Bureau of Agricultural Economics, United States Department of Agriculture, Washington, D. C. (Free.)
- "Cotton Production in Egypt", Technical Bulletin No. 451, Superintendent of Documents, United States Government Printing Office, Washington, D. C. *5 cents.
- "The Cotton Program Carries On", address by Henry A. Wallace, April 13, 1935; Press Service, Office of Information, United States Department of Agriculture, Washington, D. C. (Free.)
- "Credits and Debits of the Cotton Program", address by Chester C. Davis, August 13, 1935; Correspondence, Records, and Printing Section, Division of Information, Agricultural Adjustment Administration, Washington, D. C. (Free.)
- "Cotton" (Current Information Statement No. 2), by Cully A. Cobb, Regional Contact Section, Division of Information, Agricultural Adjustment Administration, Washington, D. C. (Free.)
- "Cotton Production Adjustment", Nos. 12 to 18 and Nos. 20 and 22; Cotton Section, Agricultural Adjustment Administration, Washington, D. C. (Free.)
- "World Cotton Markets", G-43; Correspondence, Records, and Printing Section, Division of Information, Agricultural Adjustment Administration, Washington, D. C. (Free.)

* For sale by the Superintendent of Documents, Washington, D. C. Postage stamps cannot be accepted in payment.